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81-1865

No. 81

IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

DEVEX CORPORATION, TECHNOGRAPH, INC., WILLIAM C. McCOY, JR., individually and as Executor of the Estate of WILLIAM C. McCOY, deceased, THEODORE A. TE GROTENHUIS, FREDERICK B. ZIESENHEIM, MARJORIE TE GROTENHUIS, and KATHARINE M. BASSETT,

Petitioners,

v.

GENERAL MOTORS CORPORATION,

Respondent.

CROSS-PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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Questions Presented

1. Did not the courts below depart from the established rule (*Tilghman* v. *Proctor*, 125 U.S. 136 (1888); *Gordon Form Lathe Co.* v. *Ford Motor Co.*, 133 F.2d 487 (6th Cir. 1943)), and commit serious error of law, by refusing to give any effect to defendant's "savings and gains" from bumper manufacture infringement, in determining the reasonable royalty for such infringement?

2. Did not the courts below commit serious error of law by arbitrarily refusing to find, despite the uncontradicted evidence submitted by GM itself, that TKPP was used in accused practice 46?

Parties Below

The plaintiffs in this case are:

Devex Corporation, an Ohio Corporation; Technograph, Inc., a North Carolina Corporation; William C. McCoy, Jr., individually and as Executor of the Estate of William C. McCoy, an Ohio resident; Theodore A. Te Grotenhuis, an Ohio resident; Frederick B. Ziesenheim, a Pennsylvania resident; Marjorie Te Grotenhuis, an Ohio resident, and Katharine M. Bassett, a Connecticut resident.

The defendant is General Motors Corporation, a Delaware Corporation.

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If the Court should grant GM's petition in No. 81-1661 to review the reasonable royalty award on bumpers, we request that it also grant this (plaintiffs') cross-petition for a writ of certiorari to review that award.

Plaintiffs have also filed a Petition for a Writ of Certiorari (No. 81-1718) covering the failure to award any royalty for non-bumper infringement, which petition plaintiffs urge the Court to grant independently of General Motors' petition and this cross-petition.

Opinions of the Courts Below

The Opinion of the Court of Appeals on the accounting is reported at ——— F.2d ——— (A304a).* Its orders

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NOTE: Emphasis supplied throughout unless otherwise noted.

* Citations are to the Joint Appendix separately bound, herein designated by "A" and page number.

denying plaintiffs' petition for rehearing and denying General Motors' petition for rehearing en banc appear at A343a-A344a. The Opinion of the District Court is reported at 494 F. Supp. 1369 (A280a). The Special Master's recommendation, unreported, is set forth at A153a.

The Opinion of the Court of Appeals for the Seventh Circuit on the issue of validity is reported at 321 F.2d 234 (1963), *cert. denied,* 375 U.S. 971 (1964) (A61a). The opinion of the Court of Appeals for the Third Circuit on the issue of infringement is reported at 467 F.2d 257 (1972), *cert. denied,* 411 U.S. 973 (1973) (A138a).

Jurisdiction

The Judgment of the Court of Appeals was dated and entered on December 15, 1981. The respective Petitions for Rehearing of the plaintiffs and defendant were denied by the Court of Appeals on January 13, 1982. This cross-petition for certiorari was filed within 90 days of that date. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Statute Involved

This case involves § 284 of the Patent Statute, 35 U.S.C.:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
>
> When the damages are not found by a jury, the court shall assess them. In either event the court may

increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

Statement of the Case

This is an action for patent infringement by the patent owners and exclusive licensee, plaintiffs, against General Motors, defendant. The patent is Reissue Patent No. 24,017, sometimes called the Henricks or Devex patent. The patent issued March 4, 1952 and expired March 4, 1969.

Claim 4, the only claim of the patent involved, has been held valid, 321 F.2d 234 (7th Cir., 1963) *cert. denied* 375 U.S. 971 (1964). It is also settled that claim 4 was infringed by this defendant in the production of bumpers and cold extruded, non-bumper parts, 467 F.2d 257 (3d Cir., 1972), *cert. denied,* 411 U.S. 973 (1973). The present cross-petition arises out of the accounting that followed the validity and infringement rulings. Upon the accounting before a Special Master (Bruce M. Stargatt, Esquire), additional bumper and non-bumper practices were found to infringe, but plaintiffs were awarded a reasonable royalty rate of ½ of 1% on bumper infringement only. The District Court modified this, first by finding, contrary to the Master, that certain accused rinse practices infringed, and, second, by increasing the rate on the infringing sales value of bumpers to ¾ of 1%, for an award to plaintiffs in the amount of $8,813,945.50. Further, the District Court accepted the Master's recommendation that interest be paid from dates of infringement at prevailing corporate bond rates. Interest in the amount of $11,022,854.97 brought the total amount of the judgment to $19,836,800.47.

The District Court also accepted the Master's conclusion that no royalty should be awarded on extensive findings of cold extruded, non-bumper infringement.

Both sides appealed to the United States Court of Appeals for the Third Circuit, which unanimously affirmed the judgment of the District Court (1981) (A304a).

Claim 4 of the patent provides as follows:

> The process of working ferrous metal which comprises forming on the surface of the metal a phosphate coating and superimposing thereon a fixed film of a composition comprising a solid meltable organic binding material containing distributed therethrough a solid inorganic compound meltable at a temperature below the melting point of the ferrous metal phosphate of said coating and having a hardness not exceeding 5 on the Mohs' hardness scale, and thereafter deforming the metal.

This lubricating process is used in cold forming metal car parts by pressure.

> The happy result of [the Devex] process is that phosphate, soap and borax work to lubricate the pressure-forming operation, preventing harmful contact between the metal products and the machinery with which they are formed. . . . [The Devex process] is especially beneficial because it may be easily cleaned from the metal product following its formation.

Devex Corp. v. *General Motors Corp.*, 494 F. Supp. 1369, 1372 (D. Del. 1980) (A282a).

The courts below erred in limiting the reasonable royalty rate on infringing bumper manufacture to ¾ of 1% of bumper sales value. That limitation was based on the erroneous premise that plaintiffs used an "outdated" standard of comparison for measuring GM's cost savings

of $1.53 per bumper in adopting the patented process (the royalty allowed was only 9¢ per bumper). In fact, GM stipulated that the processes comprising plaintiffs' standard of comparison were in use at Chevrolet and Cadillac during the patent period before they adopted the infringing processes. The courts' confusion as to the contemporaneity of the plaintiffs' standard of comparison led to their error in concluding that GM's undisputed saving, founded upon plaintiffs' standard of comparison, in the amount of $1.53 per bumper, was irrelevant (A293a). The record simply does not support the conclusion of the courts below that the plaintiffs' standard was "outdated" and the consequent conclusion that the $1.53 was not pertinent. On the contrary, the stipulated and undisputed facts established the reasonableness of plaintiffs' standard of comparison: it was nothing other than GM's actual manufacturing method of contour polishing after forming that was in use at Cadillac (1952 through the 1961 model year) and at Chevrolet (1952 through the 1954 model year).

The courts below, contrary to GM's own contention and the uncontroverted facts, also erroneously found that Oldsmobile's accused practice 46 did not use any TKPP and, therefore, did not infringe.

1. GM's Bumper Infringement At Its Three Major Divisions.

The Court of Appeals, affirming the District Court and the Master, found extensive and sustained bumper infringement at three of GM's major divisions:

(i) *Pontiac*—For 100% of its bumpers from December 1958 through the 1968 model year; the Master found that the infringing use was exclusive during that period (A229a).

(ii) *Chevrolet*—For 88.5% of its bumper production during the 10-year period from November 1958 through the expiration of the patent in March 1969; the Master

found that the Henricks process was "dominant" and "monopolized" Chevrolet's bumper production in that period (A220a-A221a).

(iii) *Cadillac*—For 100% of its bumper production during the 7 model year period 1962 through 1968; the Master found the infringing use to be exclusive during that period (A232a).

2. The Alleged Substitution of Non-Infringing Processes At GM's Three Major Divisions.

The Courts below erroneously found "that several of GM's divisions regularly substituted noninfringing processes for infringing ones and *vice versa*" (A292a). That finding implies that non-infringing substitutes were regularly substituted for the Henricks process; it is negated by the Master's specific findings, based upon stipulated facts and affirmed by the courts below, that once adopted, the Henricks process was used exclusively for, or monopolized, bumper production at the three major divisions "for long periods without substantial change" (A235a).

GM did not claim that its standard of comparison includes practices at Pontiac for the period 1952 through the 1955 model year, at Chevrolet for the period 1952 through the 1954 model year, and at Cadillac for the period 1952 through the 1961 model year. At Chevrolet, GM's standard of comparison was the three practices that were used commercially and were found by the Master to have been rejected by Chevrolet as either unsatisfactory or abandoned (A218a-A221a). The only other use of a non-accused practice at Pontiac and Cadillac occurred at the tail end of the patent for a 7-month period and clearly did not vitiate the earlier infringing uses at those divisions.

Therefore, at the three major bumper divisions which constituted almost all of the bumper infringement found

below, there was no successful use of a non-infringing substitute, after adoption of the Henricks process, for an extended period of time.

On the other hand, plaintiffs' chosen standard of comparison was in actual use at Cadillac and Chevrolet for the periods 1952 through the 1961 model year and for the period 1952 through the 1954 model year, respectively.

Thus, on the supported findings below, there was no meaningful substitution of non-infringing practices for the Henricks process at any of Pontiac, Chevrolet or Cadillac, after the Henricks process was adopted at each of them.

In the case of one of the alternatives allegedly available to GM—Montgomery DQ 593 (Non-Accused PracticeKK)* —the evidence clearly shows that this supposed alternative was really yet another infringing process. This is so because Montgomery DQ 593 included 2.73% TSP, which is an infringing *inorganic* compound** (A328a). Thus,

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* It should be noted that the plaintiffs' failure to accuse Montgomery DQ 593 as an infringing practice means only that plaintiffs may not recover for GM's use of this practice. It does not follow that this practice was available to GM as a standard of comparison. To use it as a standard of comparison, as noted above, *GM* must prove that the practice was non-infringing. The parties stipulated ,and it was so ordered by the Master, as follows:

> "It is the position of Defendant that these non-accused processes are some of the noninfringing available alternatives. Plaintiffs do not concede that the 'non-accused' practices do not infringe or that they are relevant and do not accept Defendant's position."

** The Master's statement that DQ 593 as sold to GM had ".59 per cent trisodium phosphate" (A215a) missed the critical point. The parties stipulated that as sold to GM, DQ 593 had 79% water. Therefore, dividing the .59% TSP by the 21% solids shows that the TSP is 2.73% of the solids (the *method* of calculating inorganic compounds as percentage of solids was testified to by a witness called by GM, an officer in charge of research for a lubricant manufacturer. The parties stipulated that at Oldsmobile, after the lubricant coating DQ 593 was applied, the "blanks were then conveyed through an oven to dry the lubricating coating"). Thus, DQ 593 which had .59% TSP in an aqueous solution (as DQ 593 was sold to GM), when dried on the workpiece, had 2.73% TSP.

GM failed to prove that it was an alternative available to it.*

3. Henricks Process Saved GM At Least $1.53 Per Bumper Over Alternatives It Used.

As noted, the District Court erroneously found that several of GM's divisions "substituted non-infringing processes for infringing ones and *vice versa*" in the manufacture of bumpers (A292a). Two of these non-infringing processes referred to by the District Court were as follows:

(i) Chevrolet, GM's largest bumper division, produced 100% of its bumpers from March 1952 through its 1954 model year, by hot forging and then contour polished them after forming.

(ii) Cadillac, another major bumper division, produced almost 100% of its bumpers from March, 1952 through its 1961 model year, by a method of cold forming bumpers with a wet lubricant (but no prepolished—i.e., flat polished-stock) and then contour polished them after forming.

Plaintiffs, using these alternative processes as a standard of comparison, established by uncontradicted evidence that GM saved at least $1.53 per bumper by using the Henricks process.**

That $1.53 per bumper was in fact the minimum amount of savings between plaintiffs' standard (contour polishing

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* The Master's holding that the purpose of TSP was to stabilize the emulsions (A215a) was irrelevant, as long as DQ 593 gave satisfactory lubricity and ease of cleanability. See the District Court's opinion overruling the Master on the purpose for which claim 4 required the use of an inorganic compound (A289a).

** The District Court's conclusion that these alternative processes were "outdated" (A293a) is contradicted by its relying on them for its conclusion (A292a) limiting the value of the Henricks process. GM cannot rationally have it both ways.

after forming) and the Henricks lubricating system is beyond rational dispute. Both parties agree that the savings were due to a "reduction of contour polishing".*

There is no cost or savings evidence as to any of GM's alleged soap-only alternatives. The Master found that GM's contention that the royalty be based on the (nonexistent) savings in the cost of lubricants, only, was "contrived" (A243a).

4. The Courts Below Erred In Not Finding From GM's Own Evidence And Concessions That Oldsmobile's Accused Practice 46 Used TKPP And Hence Infringed.

The courts below ignored the uncontradicted evidence submitted by GM itself, that TKPP was used in accused practice 46 from the Oldsmobile model year 1964 through 1968.** In its answering brief to the Court of Appeals (p. 40, fn. 2), GM again admitted that the "lubricant added [to tank 6] was TKPP lubricant." The evi-

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* GM conceded in its brief to the District Court that:

> "Since Standard Steel Spring and Houdaille each converted from soap and borax over bare steel to soap and borax over phosphate, their experience showed that phosphate was necessary to the reduction of contour polishing".

Inasmuch as it was the Henricks patent that introduced phosphate between soap and borax (or other inorganic compound) and bare steel, it was the Henricks patent that "was necessary to the reduction of contour polishing." Therefore, there is agreement that the Henricks process (a combination of soap and borax over phosphate) brought about the reduction of contour polishing costs for a saving of $1.53 per bumper.

** GM's own witnesses testified without contradiction that TKPP was used in tank 6 at J&L for Oldsmobile in that period. One of GM's witnesses, Mr. Alexin of J&L, testified in response to the Master's questions that Parker Bonderlube 202—25% TKPP—was used in tank 6. GM also elicited testimony from Alexin on

(*footnote continued on following page*)

dence and concession remove the ground from the Master's finding that TKPP in practice 46 was "utter speculation" (A202a). GM was affirmatively contending at the trial that TKPP, and not borax, was used in practice 46 because it was GM's position, thereafter rejected by the Master, the District Court and the Court of Appeals, that TKPP did not infringe.

GM stipulated in the pre-trial order that the cleaning steps in Oldsmobile practice 46, a bumper rinse, were identical to Oldsmobile bumper rinse practice 43 held by the courts below to constitute infringement (A301a, ¶ 1(d)). Hence, the Court of Appeals' holding, that the use of borax or an equivalent (such as TKPP) in a rinse process coupled with cleaning constitutes an infringement, is likewise applicable to accused practice 46.*

(footnote continued from preceding page)

redirect that it used Bonderlube 200 (25% TKPP) in tank 6. Alexin further testified that J&L terminated its use of Bonderlube 200 and 202 only in July of 1968, and that the amount of lubricant added to tank 6 was at the operator's discretion. In its post-trial submission to the Special Master GM readily admitted that "Mr. Alexin clearly testified that the change from Bonderlube 202 to Bonderlube 243 was made in July 1968".

The courts below made no reference to this evidence. In its opinion (A291a) the District Court said accused practice 46 included no "borax"; the judgment (A301a; ¶ 1(f)) said that practice did not include "borax or equivalents".

* The Special Master's recommendation that rinses which include cleaning did not infringe was rejected by the District Court and the Court of Appeals.

The Special Master's ground that, since plaintiffs had earlier contended that accused practice 46 contained borax, plaintiffs were estopped from asserting that accused practice 46 contained TKPP (A202a) is untenable. A litigant is free to rely on his opponent's evidence.

Reasons for Granting the Cross-Petition

If the Court grants GM's petition in No. 81-1661 with respect to the reasonable royalty on infringing bumper manufacture, the Court should grant this cross-petition on that issue, in order that the issue may be fairly presented to the Court.

The courts below departed from the established rule (*Tilghman* v. *Proctor,* 125 U.S. 136 (1888); *Gordon Form Lathe Co.* v. *Ford Motor Co.,* 133 F.2d 487 (6th Cir. 1943)) and committed serious error of law, by refusing to give any effect to defendant's "savings and gains" from bumper manufacture infringement, in determining the reasonable royalty for that infringement. By the lowest measure in the record, the savings of $1.53 per bumper would result in a reasonable royalty on the bumper manufacture infringement very much greater than the royalty awarded. Plaintiffs below asked for a reasonable royalty of 60¢ of the $1.53 GM saved (5% of sales value); in contrast the award was only 9¢ a bumper.

The conclusion below that accused practice 46 did not contain TKPP, and thus was not an infringement, has no support in the record, being contradicted by the very evidence submitted by GM itself.

CONCLUSION

For the foregoing reasons, the Cross-Petition for Writ of Certiorari should be granted if GM's petition to review the reasonable royalty award on bumpers is granted.

Respectfully submitted,

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